

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JANE STREET GROUP, LLC,

Plaintiff,

v.

MILLENNIUM MANAGEMENT LLC,
DOUGLAS SCHADEWALD, and DANIEL
SPOTTISWOOD

Defendants.

Civil Action No. 24-cv-02783

**DECLARATION OF JEFF NANNEY
IN SUPPORT OF PLAINTIFF'S
PROPOSED ORDER TO SHOW
CAUSE**

FILED UNDER SEAL

**DECLARATION OF JEFF NANNEY IN SUPPORT OF
PLAINTIFF'S PROPOSED ORDER TO SHOW CAUSE FOR: (1) A TEMPORARY
RESTRAINING ORDER; (2) EXPEDITED LIMITED DISCOVERY; AND (3) AN
EXPEDITED PRELIMINARY INJUNCTION HEARING**

I, Jeff Nanney, declare as follows:

1. I have been with Jane Street Group, LLC or its affiliates ("Jane Street"), in various capacities, for my entire professional career, starting in 2010. I currently head up Jane Street's business in the Asia region. In that capacity, I have responsibility for the trading operations of a number of trading desks at Jane Street in Asia, including our India [REDACTED] trading desk.

2. I make this declaration in support of Jane Street's proposed order to show cause for a temporary restraining order, expedited discovery, and an expedited preliminary injunction hearing, to enforce the confidentiality and non-disclosure obligations between Jane Street and Defendants Douglas Schadewald and Daniel Spottiswood, and to prevent Millennium Management LLC ("Millennium") from using, disclosing, misappropriating, or exploiting Jane Street's confidential information, intellectual property, trade secrets, and proprietary trading strategies. I refer below to Mr. Schadewald, Mr. Spottiswood, and Millennium as "Defendants."

3. I am familiar with the facts and circumstances disclosed herein which, unless expressly specified, are based on my personal knowledge. If I were called upon to testify, I could and would testify competently to the facts set forth herein.

JANE STREET'S BUSINESS

4. Jane Street develops innovative and proprietary trading strategies that allow it to outperform competitors in the marketplace. Its team members are highly-talented and skilled quantitative and technological professionals.

5. Jane Street invests significant time and capital to research and analyze market opportunities and develop trading strategies that capitalize on those opportunities.

6. Jane Street promotes a collaborative culture among its team members. Team members can trust that their hard work will be used for the success of Jane Street and, and not to compete against Jane Street, because of the confidentiality obligations that Jane Street requires.

JANE STREET SECURES AND PROTECTS ITS INTELLECTUAL PROPERTY

7. As part of their terms of employment, I understand that all employees, including team members involved with or knowledgeable about any proprietary trading strategies, are required to sign confidentiality and intellectual property agreements that forbid the use and disclosure of Jane Street's confidential information, unless authorized by Jane Street, including to any subsequent employers.

8. Jane Street also uses password-protection and restrictive-access protocols to prevent unauthorized viewing or sharing of restricted information. Jane Street places strict controls on the ability to remotely access Jane Street confidential information.

9. Jane Street also uses external security measures, including limiting access to its physical offices, and requiring security badges for entrance and exit.

THE TRADING STRATEGY

10. Beginning in 2018, a handful of people at Jane Street researched and analyzed potential inefficiencies in options contracts and the underlying equity assets that are traded in Indian financial markets to explore opportunities relating to options trading in India. This initial research identified unexpected market dynamics in certain options markets, including [REDACTED]

[REDACTED]

[REDACTED] Based on this initial research, Jane Street developed a trading strategy that generated profits in the ensuing years. From consulting Jane Street records, I am able to roughly approximate the annual profits so derived at:

[REDACTED]	[REDACTED]

11. Jane Street believed there was a potentially greater market opportunity that should be further analyzed and developed. In 2023, Jane Street conducted a large-scale investigation to further develop, test and validate the proposed modifications it wanted to make to the on-going trading strategy. Jane Street invested significant resources and capital to validate its proposed trading strategy because the potential gain made it worthwhile. These further investigations involved extensive efforts from at least 25 Jane Street team members, including Mr. Schadewald and Mr. Spottiswood.

12. Jane Street discovered additional insights surrounding the market opportunity, and developed and optimized liquidity providing strategies to increase its profits in the India options and equities markets based on [REDACTED] These understandings related to at least the following non-exhaustive list: techniques for [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. I refer to the set of insights and techniques that drove Jane Street's trading in the India options and equities markets as the "Trading Strategy."

13. Based on my knowledge and experience, other firms trading in these markets, including major competitors to Jane Street, primarily focused on [REDACTED]
[REDACTED]. Based on Jane Street's extensive research, it developed the Trading Strategy, which tended toward [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

14. The trading opportunities, including their [REDACTED]
[REDACTED] (for those with knowledge of the Trading Strategy), [REDACTED]. Jane Street's execution of the Trading Strategy [REDACTED]

[REDACTED] Due to the validation of the underlying insights and heuristics on which Jane Street's strategy relies, Jane Street's positions entailed uniquely [REDACTED]
[REDACTED] in uniquely high gains. Based on [REDACTED]

Jane Street was able to size the trades and the profit it was able to realize by executing the Trading Strategy, I can state with a high degree of confidence that at the time Mr. Schadewald left Jane Street and joined Millennium, no other firm was using a similar strategy to a similar degree.

15. I understood, and believe that all of my colleagues understood, that the Trading Strategy was extremely valuable intellectual property.

16. The Trading Strategy's value depends on its secrecy. If a competitor entered the same market and executed the same strategy or a similar strategy utilizing the same heuristic approaches, Jane Street would immediately lose profit and the market opportunity would be at risk of erosion.

17. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

18. I have consulted Jane Street records and determined that in the two weeks preceding Mr. Schadewald's February 5, 2024 resignation, Jane Street made [REDACTED] of profit on average per trading day using the trading strategy at issue. But throughout March 2024, by which time Mr. Spottiswood had joined Mr. Schadewald at Millennium, Jane Street's profit dropped to [REDACTED] of profit on average per trading day.

19. I have further consulted Jane Street records to determine its monthly profits from Jane Street's Trading Strategy. These profits are as follows (all numbers approximated):

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]



SCHADEWALD'S AND SPOTTISWOOD'S EMPLOYMENT AT JANE STREET

20. While at Jane Street, Doug Schadewald and Daniel Spottiswood worked closely on the Trading Strategy and were fully familiar with its implementation.

21. On February 5, 2024, Mr. Schadewald resigned from Jane Street to work for Millennium. My understanding from others at Jane Street is that Mr. Schadewald explained that Millennium offered him a [REDACTED]

[REDACTED] This compensation package, based on my experience in the industry, significantly exceeds the industry standard for a trader with Mr. Schadewald's experience..

22. I also understand from discussions between Mr. Schadewald and colleagues that Mr. Schadewald runs his own trading team (also known as a “trading pod”) at Millennium.

23. I also understand that Mr. Schadewald started work at Millennium almost immediately after resigning from Jane Street, and despite residing in New York appears to remain active during business hours for the India options market.

24. Mr. Spottiswood worked closely on monitoring and implementing the Trading Strategy while at Jane Street. I understand that Mr. Spottiswood resigned from Jane Street effective February 23, 2024. My understanding is that Mr. Spottiswood also started work at Millennium almost immediately, and is working as a member of Mr. Schadewald’s “trading pod” at Millennium.

**SCHADEWALD AND SPOTTISWOOD USE AND DISCLOSE
THE TRADING STRATEGY AT MILLENNIUM**

25. The market inefficiency which the Trading Strategy is built around has limited capacity. So if a new entity enters the market and targets the same market inefficiency with the same or similar strategy, that competitor profits at the expense of Jane Street. Jane Street’s drop in profits from the Trading Strategy indicated that a new competitor (Millennium) suddenly joined the market and was trading at large scale.

26. On March 6, 2024, a third-party broker Jane Street uses to execute the Trading Strategy temporarily stopped accepting Jane Street’s orders. This is the first time such a stoppage occurred. I understand that Jane Street contacted the broker to understand why the stoppage occurred, and the broker shared that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

27. This information indicated that the “high-pedigree” [REDACTED]

[REDACTED]

[REDACTED] Based on my experience, if someone familiar with the Trading Strategy joined a new firm with sufficient capital, it would be possible for him or her to implement critical elements of the Trading Strategy very quickly using this type of trading pattern.

28. On March 28, 2024, another stoppage occurred where Jane Street could not execute India options trades through its third party broker due to the broker exceeding its limits—another indication that a competitor was still engaging in [REDACTED] similar to Jane Street’s Trading Strategy.

29. Collectively, based on my experience and knowledge, I consider these stoppages and the statements from the broker about the stoppages, combined with Jane Street’s decreased returns from the Trading Strategy which occurred just after Mr. Schadewald joined Millennium, to be strong evidence that immediately after hiring Mr. Schadewald, Millennium entered the relevant market, began to target the same inefficiency, and began to [REDACTED]

[REDACTED] in a manner which uses confidential elements of the Trading Strategy.

EFFECTS ON JANE STREET

30. Once Millennium began using the Trading Strategy and/or using Jane Street’s confidential information, including knowledge of Jane Street’s positions in the India options market as guided by the Trading Strategy, the methods and success of the strategy, and its reliance on certain market conditions and price indicators, Jane Street’s profits using the Trading Strategy dropped. Based on my professional experience and knowledge of market dynamics, Jane Street’s

profits significantly decreased because Jane Street was no longer the only firm using the strategy. I note further that while still at Jane Street, Mr. Schadewald and Mr. Spottiswood repeatedly expressed his view to me and other team members that Jane Street was the only firm that understood and implemented the Trading Strategy.

31. Because financial markets are complex, dynamic, and interactive, it is difficult or impossible to measure the full set of downstream effects caused by Millennium's implementation of elements of the Trading Strategy.

32. Based on my professional experience and knowledge of market dynamics, use of the Trading Strategy and/or Jane Street's confidential information relating to the Trading Strategy by another firm threatens to erode the market opportunity even more than it already has. For example, as discussed above, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

33. Investors, creditors and other constituencies expect Jane Street to develop and protect proprietary trading strategies to maintain its competitive edge. To the extent Jane Street's profits decrease due to misappropriation, or it is believed that Jane Street cannot protect its intellectual property including its trading strategies, that will decrease Jane Street's commercial and competitive advantage.

34. Jane Street's team members have learned to trust each other in the development of proprietary trade secrets and intellectual property. It is common belief at Jane Street that this trust contributes to Jane Street's success. If individual traders are permitted to trade at other firms utilizing Jane Street's confidential information and proprietary strategies, then Jane Street's open and collaborative culture will be substantially diminished for fear of intellectual property being improperly disclosed and/or stolen.

35. Based on my professional experience, Defendants' actions have significantly reduced Jane Street's trading profits from the Trading Strategy, and will continue to do so; Defendants' acts are also very likely to change the market dynamics in the India options market in ways that are difficult or impossible to quantify, including the possibility that they could reduce or eliminate the value of the Trading Strategy on a timescale that is difficult to predict.

I declare (or certify, verify, or state) under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed in Hong Kong, China on April 17, 2024.


/s/
Jeff Nanney